



California Medical Association

Established 1856

May 20, 2007

The Honorable Pete Stark
Chairman, Health Subcommittee
Ways and Means Committee
U.S. House of Representatives
1135 Longworth HOB
Washington, D.C. 20515

RE: CMA Supports Elimination of the Private Fee-For-Service Plans (PFFS)

Dear Chairman Stark:

On behalf of the California Medical Association, I am writing to urge you to eliminate the Medicare Advantage Private Fee-For-Service Plans (PFFS) from the Medicare Advantage program. The CMA has studied these plans carefully and we have concluded that the higher payment rates from Medicare (119% of Medicare fee-for-service rates on average), the lack of value to the program in terms of efficiency and quality, the inadequate physician networks, the disincentive to negotiate competitive contract terms with physicians due to the "deeming" authority and the well documented marketing abuses, have made the PFFS plans unwarranted profit-centers for the insurance industry at the expense of patients, physicians and the taxpayers.

Last fall, the CMA received hundreds of phone calls from physicians complaining that their long-time Medicare patients had enrolled in PFFS plans with which they were not contracted. Every physician we spoke to said that their patients were erroneously told by the insurance broker that they could continue to be treated by their current physician even though their physician was not contracting with the plan. This caused the unnecessary disruption of many existing physician-patient relationships.

Many physicians who did not know that their patients had enrolled in a PFFS plan continued to treat their patients and were therefore, "deemed contracted" with the plan. Under the law, PFFS plans may unfairly "deem" physicians to be contracted with the plan when a physician treats a patient who has enrolled in a PFFS plan. Physicians who do not contract but remain "deemed" are paid according to the Medicare fee-for-service fee schedule. However, these physicians must adhere to the PFFS plans' terms and conditions which are subject to change at any time. These terms and conditions are not readily available to physicians and not consistent Medicare payment rules. CMA has repeatedly asked CMS to require PFFS plans to post their payment rules on a single website where physicians can readily obtain the information.

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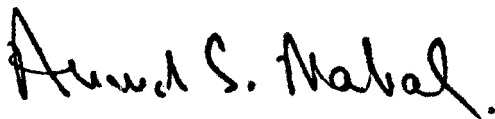
Unfortunately, patients who see “deemed” physicians must pay higher copayments. However, if a physician agrees to sign a contract with a PFFS plan, once the plan establishes an “adequate” network, they may reduce the physician’s payment rates below the Medicare fee-for-service fee schedule. But the patient’s copayments may be reduced. Physicians have found themselves in an untenable situation.

The problems are rapidly compounding because PFFS plan enrollment is growing astronomically in California consistent with the national average of 284%. Moreover, the PFFS plans are paid on average 119% and up to 150% of the Medicare physician fee-for-service fee schedule. Thus, their rates are 20-50% higher than physician rates. However, these plans are not required to have adequate physician networks or meet any quality standards. CMA does not believe that many of the PFFS plans operating in California have adequate physician networks to serve their enrollees. Further, we question whether PFFS plans have appropriate incentives to establish appropriate networks. Further, there is no evidence that they are providing a valued service in terms of coordinating care or in providing efficiency. MedPAC has shown that the PFFS plans are the most inefficient plans operating within the Medicare Advantage program. MedPAC has reported that these plans are “...expanding their enrollment and providing extra benefits with taxpayer dollars in an inefficient manner.”

While CMA supports Medicare Advantage health plan options for the Medicare program, we do not support the continuation of PFFS plans for all of the reasons mentioned above. They are unwarranted profit-centers that are siphoning-off valuable resources from the Medicare program. They are not providing value to patients and are allowed to hold physicians to untenable terms. We believe they will ultimately cause access problems in the Medicare program. We urge Congress to act to eliminate the PFFS plans before thousands of additional California seniors enroll in these plans.

Mr. Chairman, thank you for the opportunity to comment on the PFFS plans. I send you my best wishes and hope to see you in the District again soon.

Sincerely,

A handwritten signature in black ink that reads "Anmol S. Mahal". The signature is written in a cursive, flowing style.

Anmol S. Mahal, MD
President